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CONTENTS

THE OUTLOOK FOR AGRICULTURAL PRICES AND INCOME IN 1950

Another year of fairly high demand for most farm products appears to be in prospect for 1950, but the downtrend in agricultural prices and income underway in 1949 is likely to continue through next year. Both prices received by farmers and cash receipts from farming for 1950 may average about 10 percent below this year. This would approximate the decline that has occurred in 1949 from the record levels in 1948. Meanwhile, farm operators' net income is likely to drop somewhat more than cash receipts since farm production costs and prices paid by farmers are expected to decline less than their cash receipts in 1950.

The domestic demand for farm products in 1949 has been somewhat lower than in 1948. To some extent, this has reflected slight reductions from last fall in total economic activity and employment, and in the flow of income to consumers. It has also been due to the changing pattern of consumer expenditures. This year consumers have placed greater emphasis

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1948 Year	1948 Aug.	1949 June	1949 July	1949 Aug.	1949 Sept.
Industrial production 1/	1935-39						
Total........................	=100	192	191	169	162	170	
All manufacturers...........	do.	198	197	175	168	177	
Durable goods...............	do.	225	223	194	185	194	
Nondurable goods............	do.	177	177	161	155	164	
Minerals......................	do.	155	159	134	123	128	
Construction activity 1/	1935-39						
Contracts, total..............	=100	331	350	340	364	399	
Contracts, residential........	do.	397	434	431	490	559	
Wholesale prices 2/							
All commodities...............	1926=100	165	170	154	154	153	
All commodities except farm and food..........	do.	151	153	146	145	145	
Farm products...............	do.	188	192	169	166	162	
Food........................	do.	179	190	162	161	161	
Prices received and paid by farmers 3/	1910-14						
Prices received, all products.	=100	287 8/	290	252	249	245	249
Prices paid, interest and taxes....................	do.	250 8/	250	245	244	243	242
Parity ratio..................	do.	115 8/	116	103	102	101	103
Consumers' price 2/ 4/	1935-39						
Total.........................	=100	171	174	170	168	169	
Food........................	do.	210	217	204	202	203	
Nonfood.....................	do.	149	151	150	150	150	
Income							
Nonagricultural payments 5/...	Bil. dol.	188.8	192.0	191.5	191.2	192.1	
Income of industrial workers 3/.............	1935-39 =100	364	377	n. a.	n. a.	n. a.	
Factory payrolls 2/...............	do.	389	399	n. a.	n. a.	n. a.	
Weekly earnings of factory workers 2/							
All Manufacturing.............	Dollars	53.14	54.05	53.68	54.67	54.60	
Durable goods...............	do.	56.76	58.19	57.57	57.35	57.63	
Nondurable goods............	do.	49.33	49.78	49.57	51.68	51.35	
Employment							
Total civilian 6/.............	Millions	59.4	61.2	59.6	59.7	59.9	
Nonagricultural 6/..........	do.	51.4	52.8	49.9	50.1	51.4	
Agricultural 6/.............	do.	8.0	8.4	9.7	9.6	8.5	
Government finance (Federal) 7/							
Income, cash operating........	Mil. dol.	3,748	3,162	4,798	2,081		
Outgo, cash operating.........	do.	3,075	2,950	4,539	4,965		
Net cash operating income or outgo................	do.	+ 673	+ 221	+ 258	- 884		

Annual data for the years 1929-48 appear on page 29 of the March 1949 issue of The Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE, to convert prices received and prices paid interest and taxes, to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ Consumers' price index for moderate-income families in large cities. 5/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 6/ U. S. Dept. of Commerce, Bureau of the Census. 7/ U. S. Dept. of Treasury. Data for 1948 are on average monthly basis. 8/ September 1948.

(n. a.) Not available.

on purchases of automobiles and less on food, clothing and other items. However, the value of foreign takings of U. S. farm products in the first half of 1949 has been greater than a year ago and, in total, not much below the record of 1947.

The general economic picture continues strong although the trend has been slightly downward since last fall. Expenditures by consumers and by business for new plant and equipment have slackened slightly as many deferred demands from the war and early postwar years have been gradually eliminated. Residential construction has been about the same as a year ago. The major cutback, so far in 1949, has occurred in business spending for inventories. In August and September a slower rate of inventory liquidation has been primarily responsible for a moderate increase in manufacturing output. The drop in inventory spending has been partly offset by increasing expenditures by the Federal Government for national defense and foreign aid, and by State and local Governments for construction of schools and highways.

Prices have generally moved downward in 1949, reflecting the easing in the tight supply-demand situation for most goods. The over-all level of wholesale commodity prices has declined about 10 percent from the postwar peak of August 1948, with most of the drop accounted for by farm products and foods. Wholesale prices of industrial products, on the average, were down about 5 percent by early October 1949. The retail price level has declined only 3 to 4 percent.

Barring new developments which cannot be appraised at present, particularly those which might arise from the international situation or from prolonged work stoppages in basic industries, a further slight reduction in economic activity and a relatively slow decline in prices appear likely for 1950. Consumer expenditures may slacken further as backlog demands for automobiles are reduced. However, the disbursement of almost 3 billion dollars of veterans' insurance refunds, anticipated for the first half of 1950 will tend to maintain consumer expenditures, particularly for durable goods, in that period. There may be some further shifts in the pattern of these expenditures. The proportion spent for food, which is still much larger than before the war, may tend to decline. However, plentiful supplies of food and slightly lower retail prices in prospect for next year will encourage continued high food consumption. On a per capita basis, food consumption is expected to be at least as high as in 1949 and may show a slight increase. It also appears probable that business expenditures for new plant and equipment will be further reduced in 1950, perhaps substantially from current levels. Public and private surveys of anticipated capital expenditures point to a sizable reduction in such outlays beginning in the fourth quarter of this year. The effect of devaluation on U. S. foreign trade is also likely to be a mildly depressing influence on prices and output in this country.

Nevertheless, the residential construction boom, supplemented by increasing public housing, is expected to continue in 1950 at a level not

appreciably below this year. On the basis of presently authorized appropriations, Government expenditures will increase through at least the first half of 1950 though at a slower rate than in the past year. For the last half of next year, the level of these expenditures will depend to a large extent on appropriations for the fiscal year 1950-51, which will not be considered by Congress until early next year. Unless defense requirements should become greater, present programs indicate a tapering off in Government expenditures in the latter part of 1950.

Aside from the possibility of a substantial increase in defense expenditures, the gradual downtrend in activity that appears probable for next year will be reflected in slightly lower levels of employment and incomes than in 1949. Under such circumstances, the domestic demand for food and other farm products is likely to be at somewhat lower levels.

No marked weakening in the foreign demand for U. S. farm products is in prospect for 1950. Devaluation is likely to exert a mildly depressing influence on agricultural exports although it is too early to determine its effect on specific commodities. Foreign needs continue large although they may be less pressing if harvests abroad are good next year. The appropriation of 5.8 billion dollars for ECA and other foreign aid in fiscal 1949-50 assures sizable exports of wheat, tobacco and cotton through most of 1950. However, exports of farm products harvested in 1950 will depend to a large extent on the size of next year's appropriations for foreign aid and the relative proportion allotted for agricultural commodities.

Agricultural production for sale and for consumption in the farm home will be large again next year if growing conditions are average or better. However, crop output is likely to be down significantly from 1948. Acreage allotments for the 1950 crops have been established for wheat and cotton, and are probable for corn and rice. In addition to acreage allotments, marketing quotas have been proclaimed for cotton. Marketing quotas for most major tobacco types and peanuts will be continued for the 1950 crops. On the other hand, the output of livestock and livestock products will be greater as a result of large feed supplies and the upturn in livestock numbers on farms. In total, agricultural output next year may be slightly below that in 1948, if yields are average.

Under the provisions of a Bill entitled "The Agricultural Act of 1949", which has been passed by the Congress but has not yet been acted on by the President, support prices for most basic commodities will not be changed significantly for the 1950 crops. The Bill, as passed by Congress, provides for a reduction in minimum supports in following years. Support prices for wheat, corn, cotton, and peanuts are likely to be a little lower for the 1950 crops than for this year's crops only as a result of a further small decline in the parity index (the index of prices paid by farmers for commodities, interest and taxes). However, an alternate method of calculating parity prices may result in slightly higher supports next year for the major types of tobacco, and a substantial increase in the price support level for rice. For certain non-basic commodities, the Bill provides for supports within the range of 60 to 90 percent

of parity for wool (including mohair), potatoes, tung nuts and honey; and for 75 to 90 percent of parity support levels for whole milk and butterfat. For the latter two commodities and for wool, parity prices under the alternate method of calculation are substantially higher than the present parities. Price support for other commodities is not mandatory under the provisions of this Bill but may be undertaken at any level up to 90 percent of parity at the discretion of the Secretary. Price supports have been announced for hogs through March 31, 1950, and for the 1950 crop of flaxseed at 60 percent of parity (as of April 1, 1950). Increased supplies of livestock and livestock products and the somewhat lower level of consumer income anticipated for 1950 are likely to bring generally lower prices for these commodities.

The prospective lower levels of farm output and farm prices for 1950 may be reflected in another decline of about 10 percent in the 1950 cash receipts from farm marketings. In 1949, a similar decline in cash receipts resulted in a drop of about one-sixth in the realized net income of farm operators, since the decline in farm production expenses was relatively small. Farm costs are likely to decline only moderately in 1950 but probably more than they have in 1949. The cost of hired labor, expenditures for feed and livestock, depreciation charges and rents may be lower but other outlays such as for taxes, farm mortgage interest, and fertilizers may be about the same or even a little higher in some cases. With total farm production costs declining at a slow rate, the realized net income of farm operators in 1950 may be as much as 15 percent below 1949, almost as large a drop as occurred this year. If such a decline materializes in 1950, the net income next year would be about one-third smaller than the postwar record in 1947 but still more than two and a half times the average net income in 1935-39. As in 1949, lower net income to farmers in 1950 will probably be offset in part by somewhat lower living costs.

The decline in agricultural prices and income in 1949 has been reflected in a drop in farm land values. By mid-1949, the drop had been relatively small, about 3 percent below the November 1948 peak. Lower farm incomes next year are likely to be reflected in further declines in land values.

Commodity highlights

An increase in meat supplies and moderately lower prices of meat and meat animals are in prospect for 1950. Almost all of the increase in supplies will be in pork. A slightly weaker domestic demand and smaller dairy products exports next year are likely to be reflected in somewhat lower prices for milk and dairy products. Prices received by farmers for eggs and chickens, including broilers are likely to average somewhat lower in 1950 than in 1949. Output of fats and oils from domestic materials in the October 1949-September 1950 crop year probably will reach a new record.

Feed prices are expected to average a little lower in the 1949-50 feeding season than in the 1948-49 season, chiefly as a result of another record supply of feed grains and lower loan rates on the 1949 crops. Exports of wheat may be somewhat smaller in 1950-51 than in recent years and support prices slightly lower than this year. With average weather, the 1950 deciduous fruit crop will be somewhat smaller than the near-record 1949 crop, and grower prices may be a little higher than the generally low 1949 prices. Prices received by farmers for cabbage, onions and carrots in early 1950 are expected to average somewhat higher than in early 1949. Prices received by farmers for potatoes in early 1950 probably will average somewhat above the 60 percent of parity support levels.

The total disappearance of raw cotton in 1949-50 is expected to be about the same as last season. Domestic mill consumption may be slightly larger but exports may decline. U. S. cigarette tobacco is expected to continue in fairly strong demand in 1950 and leaf prices for the cigarette types may be about as high as those received in the last year or two. Demand and prices for forest products in 1950 are expected to remain fairly close to 1949 levels.

ECONOMIC TRENDS IN 1949

After almost three years of postwar expansion, economic activity in the nation moved to lower levels in 1949. The declines from the 1948 averages recorded for most economic indicators have been small (table 1). However, output of factories and mines, as measured by the Federal Reserve Board index of industrial production, averaged 10 percent below 1948, largely as a result of a sharp reduction in business purchases for inventories. The decline in this index which represents the activity of about one-fourth of total civilian employment, was offset for the most part by continued high activity in many other fields, notably construction, agriculture, trade and the services. The total output of goods and services in 1949 probably declined only one to two percent. Total civilian employment was down only about 1 1/2 percent. Wholesale prices of all commodities averaged 7 percent below 1948 with the greater part of the decline in farm products and foods. Retail prices to the urban consumer averaged only slightly below last year. The purchasing power of consumers was generally at the 1948 level.

The small declines this year have left business activity far above prewar. Compared with 1935-39, employment in 1949 is up almost a third while population has risen 16 percent. Industrial production is almost three-fourths higher. Wholesale prices are 90 percent higher while the urban retail price level has risen about two-thirds. Consumer income has increased 200 percent.

Although the prices and incomes received by farmers declined more sharply in 1949 from 1948 than for most other parts of the economy, these prices were still more than twice as high as before the war and incomes more than three times as high.

Table 1.- Selected series of production, prices, employment and income, estimated 1949 with comparisons

Item	Base period or unit	Calendar year 1935-39 Average	Calendar year 1948	Calendar year 1949 Est.	Estimated 1949 percentage change from 1935-39 Average	Estimated 1949 percentage change from 1948
Total civilian employment 1/	Million	44.6	59.4	58.3	+ 30.7	- 1.9
Unemployment 1/	do.	9.4	2.1	3.4	- 63.8	+ 61.9
Industrial production 2/	1935-39	100	192	173	+ 73.0	- 9.9
Durable goods	do.	100	225	203	+ 103.0	- 9.8
Nondurable goods	do.	100	177	164	+ 64.0	- 7.3
Consumers' prices (urban) 3/	do.	100	171.2	168	+ 68.0	- 1.9
Food	do.	100	210.2	200	+ 100.0	- 4.9
Nonfood	do.	100	149.4	150	+ 50.0	+ .4
Wholesale prices, all commodities 3/	1926	81	165.1	154	+ 90.1	- 6.7
Farm products	do.	76	188.3	166	+ 118.4	- 11.8
Food products	do.	79	179.1	161	+ 103.8	- 10.1
All excluding farm and food	do.	81	151.0	147	+ 81.5	- 2.6
Prices received by farmers	Aug.1909-July1914	107	287	252	+ 135.5	- 12.2
Prices paid, interest and taxes	1910-14	128	250	244	+ 90.6	- 2.4
Parity price ratio		84	115	103	+ 22.6	- 10.4
Farm cash income, excluding Government payments	Bil.dol.	8.0	30.5	27.7	+ 246.2	- 9.2
Realized net income of farm operators, excluding Government payments	do.	4.3	16.5	13.8	+ 220.9	- 16.4
Volume of farm marketings	1935-39	100	143	144	+ 44.0	+ .7
Gross national product 4/	Bil.dol.	84.0	262.4	256.0	+ 204.8	- 2.4
Personal consumption expenditures	do.	63.6	178.8	176.5	+ 177.5	- 1.3
Gross private domestic investment	do.	8.4	45.0	36.0	+ 328.6	- 20.0
Net foreign investment	do.	.4	1.9	5/	-	-
Government purchases of goods and services	do.	11.8	36.7	43.5	+ 268.6	+ 18.5
Personal income 4/	do.	68.6	211.9	210.5	+ 206.9	- .7
Disposable personal income 4/	do.	66.2	190.8	191.8	+ 189.7	+ .5

1/ Bureau of the Census and BLS. 2/ Federal Reserve Board. 3/ Bureau of Labor Statistics. 4/ United States Department of Commerce. 5/ Approximately zero.

Gross National Product

The over-all economic picture and the most important trends in activity are indicated in the gross national product, which measures the total value of the Nation's output at prevailing market prices. In 1949, the total value of this output may approximate 256 billion dollars, only 2.4 percent below the record in 1948. About one-half of this small decline was due to lower prices.

The gradual tapering off of the economy from the peak of the post-war boom in the last half of 1948 is indicated in the quarterly data of the gross national product and its components (table 2). The principal trends in 1949 were: (1) A slackening in the rate of consumer expenditures and in the expenditures for housing and business plant and equipment (2) a sharp reversal in the trend of business expenditures for inventories from accumulation to net liquidation and (3) a continued uptrend in Government expenditures (Federal, State and local).

Consumer expenditures

Total personal consumption expenditures reached a peak in the fourth quarter of 1948 and declined slightly in the first half of 1949. In the second quarter of this year, these expenditures, seasonally adjusted, were only one and one-half percent below the peak rate. Since retail prices declined about the same percentage, the total volume of consumption goods and services purchased by consumers probably did not change significantly. However, there were noteworthy changes in the composition of these expenditures. Expenditures for durable goods increased about 3 percent from the last quarter in 1948 to the second quarter in 1949, primarily due to larger automobile sales. Expenditures for services were about 2 percent larger, partly reflecting the continued uptrend in rents. On the other hand, nondurable goods expenditures, including expenditures for such items as food and clothing, declined three and one-half percent.

The monthly data on retail store sales indicates that these trends were continued in the third quarter. August sales of retail stores were about 3 percent below last year's figure, after adjusting for trading-day differences. Retail sales of durable goods were 3 percent higher than a year ago as a result of a 21 percent increase in sales of the automotive group. Sales of nondurable goods were down 5 percent from August 1948.

The tendency of consumers to shift expenditures into durable goods has eased slightly their demand for food from the extraordinary level of 1948. In 1935-39, the consumer spent about 23 percent of his available income for food. The percentage rose to 28 percent in 1948. It has since declined to 26 percent in the second quarter of 1949.

The general stability of total consumption expenditures largely reflects the fact that consumer income has not declined appreciably from the record level of the second half of 1948. To some extent, it also

is due to increasing use of credit by consumers, particularly for the purchase of automobiles. Consumer credit outstanding at the end of August 1949 was a record at almost 16.5 billion dollars, about 1.5 billions larger than a year earlier. However, even at the high August level, the ratio of consumer credit to disposable income was significantly below the ratios of the immediate prewar years.

For most consumer goods, deferred demands built up during the war and early postwar years have been met. The notable exception currently is automobiles. If automobile sales should decline from recent record rates toward a more normal level in 1950, the downtrend in consumer expenditures would be accentuated. However, the expected disbursement of almost 3 billion dollars of veteran insurance refunds, probably mostly in the first half of 1950, should tend to maintain expenditures for consumer durables in that period. The large holdings of liquid assets of individuals, which at the end of 1948 totaled close to 175 billion dollars is another factor supporting the level of consumer expenditures.

Table 2.- Gross national product or expenditure, third quarter 1948 to second quarter 1949 (annual rates, seasonally adjusted) 1/
(Billions of dollars)

Item	3rd quarter 1948	4th quarter 1948	1st quarter 1949	2nd quarter 1949
Gross national product or expenditure	266.5	270.3	262.5	256.1
Personal consumption expenditures	180.3	180.9	177.9	178.2
Durable goods	24.8	22.9	22.5	23.6
Nondurable goods	101.8	103.3	99.9	98.7
Services	53.7	54.8	55.4	55.9
Gross private domestic investment	47.1	48.0	41.9	34.0
New construction	18.7	17.9	16.8	16.5
New producers' durable equipment	21.0	21.2	21.0	20.3
Change in business inventories	7.4	9.0	4.1	- 2.8
Nonfarm only	5.4	7.1	2.8	- 3.5
Net foreign investment	- .1	1.0	.6	.8
Government purchases of goods and services	39.2	40.3	42.1	43.1
Federal	23.1	23.8	25.3	25.7
Less: Government sales	.3	.3	.2	.2
State and local	16.4	16.9	17.0	17.7

1/ Detail will not necessarily add to totals because of rounding.
Department of Commerce.

Gross private domestic investment

In contrast to the relative stability of spending by consumers, business spending declined sharply from the last quarter in 1948 to the second quarter in 1949. After adjustment for seasonal changes, total gross private investment, which includes expenditures for housing, business plant and equipment, and business inventories, dropped from an annual rate of 48 billion dollars to 34 billions.

However, the drop occurred almost entirely in expenditures for nonfarm business inventories. In the fourth quarter of last year, nonfarm business inventories were increased at the annual rate of more than 7 billion dollars. In the second quarter of this year, they were liquidated at the annual rate of 3 1/3 billion dollars. The abrupt reduction in inventory buying was the primary reason for about a 13 percent decline in industrial output during the first half of 1949. Present indications point to a reduction in the rate of inventory liquidation in August and September. In many instances, inventories had been reduced below levels consistent with continued high sales volume. New business orders for inventory have been reflected in a moderate overall increase in industial activity in August and September from the low point reached in July.

Private construction activity has continued strong so far this year although at a slightly lower level than a year ago. Expenditures for private construction in the first eight months of 1949 were 6 percent below those in the comparable period of last year. However, public construction (which is accounted for in the Government component of gross national product) was 30 percent greater than last year and total construction expenditures were 2 percent higher.

Residential construction, after a slow start last spring, increased substantially more than seasonally this summer and is expected to continue at a high level for the remainder of the year. Total housing starts this year may even exceed the 931,000 units started in 1948. (Total housing starts from January through September were about the same as in the comparable period in 1948.) The strong market for housing is likely to persist through 1950. The Federal Reserve Board Survey of Consumer Finances at the beginning of this year indicated a potential market for 7 million homes (new and old) in the 5 year period, 1949-53. While many of those indicating intentions to purchase homes in this period may not do so, the survey indicates a very strong underlying demand in this direction. Two additional points should be noted for 1950. The public housing program will be expanding and will be a significant element in the residential construction picture. Also, if rent controls terminate in mid-year, the demand for new houses may strengthen.

Business expenditures for plant and equipment have continued at a high rate so far in 1949 although declining slightly from the record level of late 1948. For the year as a whole, these expenditures are expected to be only 7 percent below the record of last year. The tapering off in these expenditures indicate that many business plans for expansion and modernization in the postwar period are being completed. A recent joint survey

by the Securities and Exchange Commission and the U. S. Department of Commerce shows that expenditures for business plant and equipment anticipated for the final quarter of this year may be somewhat less than in the third quarter, in contrast to a usual seasonal increase in that period, and moderately below expenditures in the final quarter of 1948. The sharp decline in machinery production so far this year is also indicative of reduced expenditures in the relatively near future. Sharp downtrends in business spending for plant and equipment are indicated in manufacturing, and in railroads and other transportation. Spending by utilities and by trade and services has been better maintained. An official survey of anticipated expenditures in 1950 will not be made until early next year. However, a large private survey conducted in early 1949 and other private surveys made more recently suggest that the downward trends in motion in 1949 are likely to continue into 1950.

Institutional building, including churches, hospitals and schools has increased markedly in the past year and is likely to continue to expand in 1950.

Although final data are not available on farmers' expenditures for construction, motor vehicles and farm machinery in 1949, it appears likely that they are not as high as in 1948. In 1948, farm expenditures for motor vehicles and farm machinery were far in excess of average replacement rates.

Government purchases of goods and services

Government expenditures (Federal, State and local) in 1949 continued the uptrend begun in early 1948. The increase substantially offset the decline in business purchases for inventories and was a major factor in maintaining a fairly stable level of over-all economic activity. The Federal contribution to the gross national product increased almost 9 percent after allowance for seasonal factors from the last quarter in 1948 to the second quarter of this year, primarily as a result of larger expenditures for national defense and foreign aid. In the same period, expenditures of State and local Governments increased about 5 percent, as public construction programs for schools and highways continued to expand.

The expansion in Federal Government outlays has been reflected in a Government deficit in 1949 compared with substantial budget surpluses in 1947 and 1948.

Action on Federal appropriations for the current fiscal year ending June 30, 1950 has not been completed. If appropriations turn out to be in line with the Federal budget presented by the President in January, however, Federal Government expenditures will continue to rise until mid-1950. However, the increase will be relatively small as compared with the sharp rise in the past year. For the last half of 1950, the level of Government expenditures will depend on appropriations yet to be considered. Unless defense requirements should become greater Federal expenditures are expected to level off and perhaps decrease slightly in the last half of 1950.

For 1950, State and local expenditures are likely to increase but at a slower rate. The postwar programs for school and highway construction are still large.

Net foreign investment

This component of the gross national product represents the net exports of goods and services financed by means other than Government grants and private gifts. Throughout 1949, such transactions have not been an important factor in determining the size of the export surplus (the excess of exports over imports). However, U. S. Government grants for foreign aid, which are accounted for in the Government component of the gross national product, provided almost all of the means for the excess of U. S. shipments abroad over imports.

Recent trends in U. S. exports and the means of financing them are shown in table 3.

Table 3.- Financing of United States exports of goods and services in specified periods

(Billions of dollars)

Period	U. S. exports of goods and services	U. S. imports of goods and services	Means of financing: Sale of gold and short-and long-term dollar assets by foreign countries (Net)	Means of financing: U. S. Government grants and loans to foreign countries (Net)	Means of financing: Other sources and balancing item (Net) 1/
	(1)	(2)	(3)	(4)	(5)
1935-39 ann. average	4.0	3.4	1.1	2/ (-)0.1	(-) 0.4
1946	15.0	7.2	2.0	5.1	0.7
1947	19.7	8.5	4.5	5.7	1.1
1948					
1st qtr. (ann. rate)	17.7	10.1	1.4	5.1	1.0
2nd qtr. (ann. rate)	16.9	10.1	2.2	3.4	1.2
3rd qtr. (ann. rate)	15.8	11.0	0.6	4.1	0.1
4th qtr. (ann. rate)	16.8	10.7	(-) 0.8	6.0	0.8
	16.8	10.5	0.9	3/ 4.7	0.8
1949					
1st qtr. (ann. rate)	17.1	10.4	(-) 0.1	6.3	0.5
2nd qtr. (ann. rate)	17.4	9.8	1.3	6.2	0.1

1/ Includes loans of U. S. dollars by the International Bank and by the International Monetary Fund. In 1947 these loans totaled to 761 million dollars. In 1948 they totaled 372 million dollars.
2/ Includes private loans and remittances to foreigners.
3/ Includes 1.4 billion dollars in ERP grants, and 1.3 billions for the army civilian supply program. The remainder of 2.0 billions is accounted for by other U. S. grants and loans to foreign countries.

U. S. exports of goods and services in the second quarter of 1949 were at the annual rate of 17.4 billion dollars, almost 4 percent higher than the total of 16.8 billions in 1948. The rate of U. S. imports in the second quarter was 9.8 billion dollars, down 7 percent from last year's total of 10.5 billions. As a result, the export surplus increased from 6.3 billions in 1948 to a 7.6 billion dollar rate in the second quarter of this year. The increase of about 1.3 billion dollars in the rate of the export surplus was almost entirely a result of increased foreign aid outlays under the ECA and Army civilian supply programs.

For the remainder of 1949, it is unlikely that a major change will occur in U. S. foreign trade. However, exports may tend to decline, partly because foreign dollar reserves are low and some foreign countries are limiting imports from the U. S., and partly as a result of recent currency devaluations. The value of U. S. imports may not be much different. Consequently, the net export surplus is likely to diminish in the second half of this year.

U. S. exports and the net export surplus in the first half of 1950 may be moderately below the average of 1949 and slightly below the second half of that year. The appropriations of 5.8 billions for ECA and other foreign aid for the fiscal year 1949-50 are 17 percent less than the comparable appropriation for the previous fiscal year. The reduction in expenditures, however, will be less because expenditures have lagged behind appropriations. Moreover, devaluation will tend to reduce those exports of farm and other commodities which are not financed by U. S. Government grants to foreign countries. The tendency will be to increase imports. The net effect of devaluation on U. S. foreign trade and prices is likely to be small in 1950.

The level of U. S. exports in the second half of 1950 will depend largely on the size of appropriations for foreign aid for the 1950-51 fiscal year. Since the long range program for the ECA indicates gradually reduced expenditures over the next few years, the downtrend in U. S. exports anticipated for the first half of 1950 is likely to continue through the year.

Agricultural exports

The value of agricultural exports in the first half of 1949 totaled 2 billion dollars, 21 percent greater than in the same period in 1948 and only 5 percent lower than the record level in the first half of 1947. As shown in table 4 almost all of the increase from a year ago occurred in cotton exports which more than doubled in value. The export value of foods was slightly lower. Tobacco exports were moderately higher than in the first half of 1948.

Table 4.- Value of exports of United States agricultural products in specified periods 1/
(Million dollars)

Period	Cotton including linters	Tobacco unmanufactured 2/	Grain and preparations	Other foods	Total foods 3/	Grand total 4/
	(1)	(2)	(3)	(4)	(5)	(6)
1935-39 Annual average	318	128	95	178	273	748
1947						
1st. quarter	169	93	442	342	784	1,081
2nd. quarter	137	53	515	317	832	1,046
3rd. quarter	37	52	500	316	816	930
4th. quarter	84	73	424	291	715	900
Total 1947	427	271	1,881	1,266	3,147	3,957
1948						
1st. quarter	122	40	424	251	675	881
2nd. quarter	98	41	400	220	620	795
3rd. quarter	80	77	490	177	667	846
4th. quarter	211	56	402	233	635	951
Total 1948	511	215	1,716	881	2,597	3,473
1949						
1st. quarter	232	52	433	210	643	1,021
2nd. quarter	272	40	384	221	605	1,002

1/ In postwar period includes all exports whether financed by Government funds or by commercial means.
2/ Includes trimmings, scrap, and stems.
3/ Defined as the sum of Agricultural Crude Foodstuffs (Economic Class 2) plus Agricultural Manufactured Foodstuffs (Economic Class 4) plus food exported for relief and charity by private agencies.
4/ This is the sum of columns 1, 2, and 5 plus small values of agricultural nonfoods not shown separately.

Preliminary indications for the second half of 1949 point to a somewhat lower volume and value of agricultural exports. The major reduction is likely to be in cotton, of which more than 3 million bales were shipped in the first half of the year. Exports of wheat and corn (including the grain equivalent of flour and cornmeal) may be smaller than in the first half of the year, when about 300 million bushels were shipped. Exports of fats and oils may also decline. While foreign needs remain high, they are somewhat less pressing than in previous years because of the fairly favorable harvest in Western Europe this year and the uptrend in livestock numbers in that area. Wheat and rye production in Europe (excluding U.S.S.R.) is only slightly below that of 1948. Feed grain output is about the same as last year.

The decline in the value of agricultural exports in the last half of 1949 will not be large enough to offset the increase of the first half. For the year, the value of agricultural exports may approximate 3.7 billion dollars, 6 percent above 1948.

As is shown in table 5, the various foreign aid programs have been the most important factor in maintaining U. S. agricultural exports at a high level. Almost two-thirds of the total agricultural exports in the first half of 1949 was financed by the two major foreign aid programs, ECA **and Army** aid for civilians in occupied areas. These programs accounted for over three-fourths of the bread grains exported, 85 percent of the feed grains and 70 percent of the cotton. In addition substantial proportions of other agricultural products were exported under the ECA and by the Army.

Table 5.- Financing U. S. exports of agricultural products in the first six months of 1949

Item	Financed by ECA for use in Europe, China, and Korea 1/	Financed by the Army for civilian use in occupied areas	Total financed by major foreign aid programs: Value	Total financed by major foreign aid programs: Percent of total	Grand total Agricultural exports 2/
	Mil. dol.	Mil. dol.	Mil.dol.	Percent	Mil. dol.
Wheat, wheat flour and rye	300	161	461	78	590
Corn, oats, barley, grain sorghum and buckwheat	93	42	135	85	159
Fruits and vegetables, all forms, and nuts except peanuts	21	8	29	35	83
Oils, fats, oilseeds, and peanuts	100	42	142	61	231
Dairy products	46	8	54	51	105
Fodders and feeds	13	2	15	71	21
Meats and live animals, edible	8	0	8	29	28
Tobacco unmanufactured	56	0	56	61	92
Cotton and linters	357	10	367	70	524
Misc. edible and inedible agricultural products	24	26	50	27	186
Total agricultural products	1,018	299	1,317	65	2,02[illegible]

1/ Except for cotton, the data are from ECA. "Paid Shipments" reports and represent payments made during the first half of 1949 for goods shipped mostly in that period but in small part before that period. To these have been added ECA data on shipments lifted in that period but paid for by ECA in July and August and the first 20 days of September 1949. The cotton figure is estimated on the basis of ECA procurement authorizations.

2/ Includes columns 1 and 2 plus exports financed by all other Government and private means.

An increase in the proportion of ECA funds authorized for purchase of farm products from the U. S. also has been significant to agricultural exports. In the second half of 1948, approximately two-thirds of the authorizations for the procurement of agricultural commodities issued under the ECA program were for procurement in the United States with the remainder to be purchased in other countries. In August 1949, about 92 percent were for procurement in the United States. Thus, there is little, if any, further shift possible to domestic sources of supply for farm products purchased under the ECA.

The foreign aid appropriations that have been enacted for 1949-50, though smaller than a year ago, and continued large foreign needs for imports of farm products indicate that agricultural exports will continue fairly high in the first half of 1950 at least. Given the means of financing, they are also likely to be high in the last half of 1950. But they will probably be somewhat smaller than in 1949. Exports of cotton may not reach the 4 3/4 million bales that appear to be in prospect for 1949. Exports of grains may ease slightly if the European crop is favorable next year. In total, the value of agricultural exports in 1950 may be as much as 10 percent below 1949.

Price trends in 1949

The downtrend in the general commodity wholesale price level which began in August 1948, has continued in 1949. By early October of this year, the BLS weekly index of wholesale prices was about 10 percent below the postwar peak reached in mid-August of last year. Compared with early January 1949, the decline has amounted to 6 percent. As shown in table 6, the declines in 1949 have been general and for most components of the index quite moderate. This has reflected continued high economic activity, though it has been slightly lower than a year earlier. As in 1948, wholesale prices of farm products declined substantially more than other commodity groups in 1949.

Table 6.- Group indexes of wholesale prices, January 1949, postwar highs, and October 1949

(1926=100)

Commodity group	Level in the first week Jan. 1949	Postwar high reached: Week ended	Postwar high reached: Level	Recent level (week ended Oct. 11, 1949)	Week ended Oct. 11 1949 Percentage change from: First week Jan. 1949	Week ended Oct. 11 1949 Percentage change from: Peak
All commodities	161.7	Aug. 17, 1948	169.9	152.1	- 5.9	- 10.5
Farm products	177.4	Jan. 13, 1948	203.3	160.1	- 9.8	- 21.2
Foods	168.9	July 20, 1948 Aug. 17, 1948	191.0	160.0	- 5.3	- 16.2
All other than farm and food	152.7	Nov. 16, 1948	153.7	145.1	- 5.0	- 5.6
Textile products	146.3	June 1, 1948	151.8	138.5	- 5.3	- 8.8
Fuel and lighting materials	137.2	Nov. 16, 1948	137.4	131.1	- 4.4	- 4.6
Metals and prod.	175.3	Feb. 8, 1949	175.8	169.2	- 3.5	- 3.8
Building materials	199.8	Oct. 5, 1948	205.2	189.4	- 5.2	- 7.[illegible]

Bureau of Labor Statistics.

Table 6 also shows the declines from postwar highs for each commodity group. The timing of these high points illustrates the gradual transition of various segments of the economy from the generally tight supply-demand situations of the early postwar years. Wholesale prices of most commodity groups turned down in 1948, with farm products among the earliest. However, prices of metals and metal products did not turn down until early this year. So far, the decline in this group has been principally due to price reductions for nonferrous metals. Prices of motor vehicles and farm machinery have not declined significantly.

If the gradual easing in economic activity continues into 1950, it is likely that the over-all wholesale price level will decline also, perhaps about as much as from 1948 to 1949. Barring a sharp expansion in the defense program during 1950, it is likely that in those areas in which downward price adjustments have not yet occurred (steel, automobiles and farm machinery), some declines in 1950 are in prospect.

Prices received by farmers in mid-September averaged 19 percent below the peak of January 1948. Less than half of the decline has occurred this year. As shown in table 7, prices of livestock and livestock products have been fairly well maintained this year by a generally strong consumer demand. Most of the drop so far this year has occurred in prices of crops. Crop prices declined about 11 percent from January to September this year and are down about a fourth on the average from the January 1948 levels. For the most part, this reflected the record crop production in 1948 and near record output this year. Seasonally adjusted fruit prices in September were sharply lower than at the beginning of the year, primarily as a result of near record output of deciduous fruits this year as contrasted with short crops of apples and pears in 1948. Prices of oil-bearing crops declined almost a fourth, a reflection of large supplies and a substantially lower support price for flaxseed. Prices of grains declined about 10 percent partly due to the seasonally heavy marketings in September and a slight reduction in Government support prices for the current crop. Cotton prices were about the same in September as in January having been close to support prices in both months. Truck crop prices, seasonally adjusted, were moderately higher, due to smaller supplies of cabbages, onions and lettuce than are usual at this time of year.

For the remainder of this year, the over-all trend is likely to be slightly downward. Increased marketings of corn and hogs are likely to result in seasonally lower prices for these commodities.

For 1950, the outlook is for another year of large agricultural production, if growing conditions are average or better. The total output for sale and consumption in farm households is likely to be a little less than in 1948. Acreage allotments for 1950 crops have been declared for wheat and cotton. In addition to acreage allotments, marketing quotas have been proclaimed for cotton. Marketing quotas have been announced for most tobacco and for peanuts. Acreage allotments and marketing quotas are also very likely for corn and rice. Thus, crop output next year is likely to be less than in 1949. However, it will probably be offset in part by increases in output of livestock and livestock products, resulting from large feed supplies and the recent uptrend in livestock numbers.

Table 7. - Group indexes of prices received by farmers, January 15, 1949 postwar highs, and September 15, 1949

(August 1909-July 1914=100)

Commodity group	Jan. 15, 1949	Postwar high reached: Date	Postwar high reached: Level	Sept. 15, 1949	Percentage change Sept. 15, 1949: From Jan. 15, 1949	Percentage change Sept. 15, 1949: From high point
Food grains	232	Jan. 1948	322	210	-10	-35
Feed grains and hay	187	Jan. 1948	318	167	-11	-47
Cotton	236	May and June 1948	284	240	+ 2	-15
Tobacco	412	Oct. 1948	418	400	- 3	- 4
Oil-bearing crops	274	Jan. 1948	377	213	-22	-44
Fruit 1/	197	Jan. 1946	249	143	-27	-43
Truck crops 1/	241	Oct. 1947	314	275	+14	-12
All crops	238	Jan. 1948	284	211	-11	-26
Meat animals	330	July 1948	417	326	- 1	-22
Dairy products 1/	264	June and July 1948	319	245	- 7	-23
Poultry and eggs 1/	235	Aug. 1948	249	226	- 4	- 9
Livestock and products	295	July and Aug. 1948	344	284	- 4	-17
Crops and livestock and products	268	Jan. 1948	307	249	- 7	-19

1/ Seasonally adjusted.

To a considerable extent, the level of crop prices next year depends on the price supports that will be in effect. Prices of major crops are near support levels and in some cases, notably corn, substantially below. Under the provisions of a bill entitled "The Agricultural Act of 1949," which has been passed by the Congress and has not yet been acted on by the President, support prices for most basic commodities will not be changed significantly for the 1950 crops. The Bill provides for slightly higher supports for the major types of tobacco and a substantial increase in the price support level for rice. It also provides for price supports within the range of 60 to 90 percent of parity for wool (including mohair), potatoes, tung nuts and honey; and for 75 to 90 percent of parity support levels for whole milk and butterfat. For the latter two commodities and for wool, parity prices under the alternate method of calculation provided in the Bill, are substantially higher than the present parities. Price supports for other commodities are not mandatory under the provisions of this Bill but may be undertaken at any level up to 90 percent of parity at the discretion of the Secretary. Prices of livestock and livestock products are also likely to be lower in 1950 than in 1949, as a result of increased supplies and an anticipated slightly lower level of consumer incomes. For the year 1950, prices received by farmers for all farm products may average about 10 percent below 1949.

The decline in retail prices paid by farmers has been relatively small. The BAE index of prices paid by farmers for commodities, interest and taxes by September 15, 1949 had declined less than 4 percent from the record level reached in August 1948. The small drop that has occurred has been largely due to lower prices for food, feed and clothing. Retail prices are likely to continue to decline gradually in 1950 but may not drop much more than from 1948 to 1949.

The parity ratio (ratio of the index of prices received to the index of prices paid, interest and taxes), which reached a peak of 133 in October 1946, has declined steadily in 1948 and 1949. At the beginning of this year the ratio was 108. In September, it was 103. In 1950, the ratio may average a little below 100.

Farm wage rates have been trending downward since early this year. By October 1949, the seasonally adjusted index had declined to 403 (1910-14=100) from 438 in January and 427 in October 1948. Continuation of the decline in agricultural prices and income is likely to be reflected in a further drop in farm wage rates in 1950.

Retail prices paid by moderate income urban consumers have also dropped relatively little. From the postwar peak in September 1948 to August of this year they have declined an average of slightly more than 3 percent.

Current Economic Trends

Output and employment

Industrial production increased in August and continued to advance in early September. The Federal Reserve Board's index of industrial production, seasonally adjusted, rose to 170 (1935-39=100) in August as output of durable and nondurable manufactures and minerals increased. The August level, although 5 percent above July, was 11 percent below August a year earlier.

Total production increased somewhat further in September despite the work stoppage in coal late in that month. Output of steel continued slightly upward. Motor vehicle production also remained near peak levels, and output of crude petroleum increased.

Work stoppages in the coal industry beginning late in September and in steel industry beginning early in October are likely to result in a sharply lower level of over-all output in October.

Total civilian employment in early September declined to 59.4 million persons largely as a result of a seasonal drop in farm employment. Nonagricultural employment at 51.3 million persons was only slightly below that in early August and about 300,000 less than in early September 1948. The number unemployed also declined further to 3.4 million persons, 300,000 less than in August and 700,000 below July. The reduction in the number of unemployed resulted from a seasonal decline in the labor force which more than offset the drop in total civilian employment.

Income and retail sales

Total personal income increased moderately from July to August as a result of increases in both agricultural and nonagricultural income. The seasonally adjusted annual rate in August, the last month for which data are currently available, was 211.5 billion dollars compared with 209.7 billions in August a year earlier.

The Federal Reserve Board's index of department store sales, after adjustment for seasonal variation, rose about 2 1/2 percent from August to September but in the latter month was 6 1/2 percent below September 1948.

Prices

Wholesale commodity prices in the second week of October at 152.1 (1926=100) were almost as high as in the previous month but 8 percent below the corresponding week a year ago.

The general average of prices received by farmers in mid-September, at 249 (August 1909-July 1914=100) was almost 2 percent higher than in mid-August but 14 percent under a year ago.

The index of prices paid by farmers for commodities, interest and taxes declined 1 point or less than one-half of 1 percent, from August to September to 242 (1910-14=100), 3 percent below September 1948. The parity ratio (ratio of prices received to prices paid) rose 2 points to 103 in September, 13 points below a year earlier.

The urban consumer price index in August was 168.8 (1935-39=100) compared with 168.5 in July and the postwar peak of 174.5 in August 1948.

FARM INCOME

Farm income in 1950 will remain high compared with prewar years; but most farmers are likely to find their net incomes slipping even further from the peak years of 1947 and 1948.

Gross farm income may decline about 10 percent in 1950, about the same rate as in 1949. Cash receipts from marketings, its principal component, also may be down around 10 percent. If growing conditions are average, it is expected that the volume of farm marketings on the whole will be nearly as large as in 1949, but that prices received by farmers will average somewhat lower.

Farmers' expenses of production will show only a moderate decline in 1950, but probably more than has occurred in 1949. The cost of hired labor, expenditures for feed and livestock, depreciation charges, and rents may be a little lower than this year, but outlays for taxes, farm mortgage interest, fertilizer and some other miscellaneous expenses probably will be about the same or even a little higher in some cases. Since total expenses are expected to remain relatively high next year, farmers' realized net income will be down an even larger percentage than their gross income, perhaps 15 percent.

Cash receipts may be down moderately in 1950 for both crops and livestock. Based on average yields, the volume of crop marketing is not apt to be quite as great as in 1949, but marketings of livestock and livestock products are expected to be a little larger. Cash receipts are likely to show some decline for nearly all commodity groups, although receipts from fruits may hold up fairly near the 1949 level.

Farmers' cash receipts this year will total about 27.7 billion dollars, or 9 percent below 1948. Government payments and the value of home-consumed farm products also are down from last year, but the estimated rental value of farm dwellings is much the same as in 1948. Total gross income for 1949 is estimated at 32.0 billion dollars, or 10 percent below last year.

Production expenses in 1949, however, will be down only about 3 percent from last year to approximately 18.0 billion dollars. This will leave farmers a total realized net income of 14.0 billion dollars in 1949, or about one-sixth less than their net income in 1948.

Lower prices paid by farmers in 1949 will bring lower costs in the case of feed expenditures and livestock purchases. The cost of hired labor is down along with lower wage rates. And rents are also lower with declining farm incomes. On the other hand, expenditures for many items are up this year. Operating costs for motor vehicles will be higher because of increased numbers on farms and higher prices for fuel. Farm taxes are up; and increased mortgage indebtedness is resulting in higher interest charges. Depreciation charges on farm machinery, buildings, and other capital equipment are higher in 1949 than in 1948 because of increases in numbers and value on farms.

Farmers' realized net income will be down more than their gross income in 1949 and also in 1950, largely because of high and relatively fixed overhead costs. This is especially true of depreciation charges on farm capital, which are up this year and will show only a slight decline in 1950. It should be noted, however, that farmers' actual expenditures on buildings, machinery, and other equipment are already declining in 1949 and are likely to be down substantially in 1950. So farmers' net cash available for family living, after deducting actual cash expenditures for production purposes, will show smaller declines in both years than their realized net incomes.

LIVESTOCK AND MEAT

An uptrend is now occurring in the number of hogs raised, the number of cattle on farms, and the quantity of meat produced annually. The prospect for 1950 is that these trends will continue, and that an increase in meat production will result in lower prices for meats and meat animals. Almost all the increase in meat production will be in pork. Reductions in prices are likely to be moderate so long as demand remains strong, and to be greater for prices of pork and hogs than of other meats and meat animals.

About 8-10 percent more pork may be produced next year than in 1949. This prospect is indicated by the larger pig crops of 1949 than of 1948, and the moderate further increase expected in the spring crop of 1950. The 1949 spring crop was 15 percent larger than the 1948 crop, and farmers reported on June 1 that they planned a 13 percent increase over last year on fall farrowings.

The 1950 spring pig crop may exceed the 1949 crop by 5 percent or more. Diverse influences will govern the size of the crop. Abundant supplies of corn and a price for hogs this fall that is favorable in relation to the price of corn point to an increase in number of pigs next spring. Limiting factors are the outlook for more pork and lower prices of hogs, the availability of storage loans on corn, and the present large numbers of hogs that may tax facilities on many farms. Whether a price support program for hogs after next March 31 is announced this fall also may influence the extent of the increase in spring farrowings.

The quantity of pork produced next year may not increase as much as the number of pigs raised, since slaughter weights may average several pounds lighter than in 1949. A tendency toward lighter weights has appeared this year.

Prices of hogs in 1950 are expected to average lower than in 1949. They will adjust to the lower level this fall, when somewhat more than an average seasonal decline is expected. Since hog prices will likely be lower, the monthly average hog-corn price ratio for 1950 also will probably be down from 1949 although still somewhat above the long-time average. It is possible, however, that the ratio will decline to average or below-average late in 1950, for the first time since the spring of 1948.

About as much beef and veal may be produced in 1950 as in 1949. A strong demand for beef and an abundance of corn are stimulating cattle feeding, which will probably be large enough to maintain beef production at the 1949 level. Again next year an unusually large part of the total beef supply will be of the better grades that come from grain-fed cattle. Cattle numbers, which apparently are increasing this year, may rise further next year. The uptrend in numbers promises more beef and veal for years farther in the future.

With demand continuing strong, prices of beef and of cattle in 1950 may not average much lower than in 1949. Returns from cattle feeding are likely to be better this winter than last although considerably lower than in several years of the 1940's when a prolonged rise in prices resulted in unusually high profits from feeding. Returns last winter were the smallest in more than a decade for cattle bought in the fall and sold 6-8 months later. Returns this winter may depend mainly on feeders' efficiency, and will be aided by the abundant supplies of comparatively low cost corn and by prices of feeder cattle that are $3.00 to $7.00 per 100 pounds lower than a year ago and about average in relation to concurrent prices of fed cattle.

Production of lamb and mutton, already very small, may be reduced somewhat more in 1950 if the present swing toward rebuilding sheep herds continues. It appears that sheep numbers are being nearly maintained during 1949, in contrast with sharp reductions during the past 7 years. Prices of sheep and lambs in 1950 are expected to be relatively higher than prices of other livestock.

About 75 pounds of pork may be consumed per person in 1950, 5 pounds more than this year. Consumption of all meat per person may be close to 150 pounds, compared with the 147 pounds estimated for 1949, the 39-year record 155 pounds in 1947. and the average of 134 pounds in 1937-41.

DAIRY PRODUCTS

Prices for milk and dairy products in 1950 are likely to average somewhat less than in 1949. Domestic demand may not be quite as strong as this year and over-all dairy exports are likely to be smaller. Farm production of milk is likely to be at least as large as the 117 billion pounds of this year; and total storage stocks of manufactured dairy products at the beginning of 1950 will be relatively large. Cash farm receipts from the sale of milk and dairy products in 1950 probably will be somewhat below the 3 3/4 billion dollars of 1949, and considerably below the record of nearly 4 1/2 billion dollars in 1948.

USDA purchases of nearly 100 million dollars worth of dairy products through mid-October 1949 helped maintain returns to dairymen this year. In 1950, price support of dairy products, under the bill entitled "The Agricultural Act of 1949", may be at any point from 75 to 90 percent of parity, at the discretion of the Secretary of Agriculture. A change in the method of calculating parity prices for these commodities raises the parities somewhat. As is the case for agriculture generally, many costs have not yet declined. As a result net income from dairying is declining faster than gross cash receipts, and is likely to decline further in 1950.

The 5-year decline in the number of milk cows in the United States ended during the first half of 1949. Though prices for dairy products are below the long-time averages compared with prices of feed, hogs, and beef cattle, milk production will continue large in 1950 since feed supplies per animal unit are the largest on record. The number of milk cows in the country now is the lowest on record in relation to the population. However, with record production per cow and more complete utilization of nonfat ingredients of milk consumption per person of all dairy items, except butter, is well above prewar. Several products, such as evaporated milk, cheese and nonfat dry milk solids are being consumed at record or near record levels.

As a result of the recent currency devaluation, prices of foreign diary products have declined relative to prices of U. S. dairy products. However, no significant amount of butter is being imported as that product is still covered by import licensing regulations. Within the United States the

price of butter has declined less during the past year than has margarine, and current retail prices of the latter are below average in relation to butter. Large supplies of fats and oils will tend to keep margarine prices at relatively low levels through 1950.

Consumption per person of fluid milk and cream (combined) and ice cream have declined moderately from the highs of the mid-1940's. It may decline slightly more during 1950, since prices of these items are not declining a great deal and consumer demand may not be as strong next year. With as much or slightly more milk available in 1950, supplies for manufacturing will be increased considerably, with butter output probably showing the largest expansion.

POULTRY AND EGGS

The prices paid to farmers for eggs and chickens, including broilers, are likely to average lower in 1950 than in 1949. This is indicated by the prospect that economic activity and consumer demand will continue to decline slightly from the 1948 peaks, and also by the prospective supplies of eggs and poultry meat.

Through at least the first half of 1950, eggs will be more plentiful than in 1949. In the fall, normal-sized storage stocks are likely to permit a more flexible management of supplies, with the result that sharp and sudden price peaks may be avoided.

Poultry supplies in the first months of 1950 are likely to include much larger cold storage stocks of chicken and turkey than the year before. Before mid-year, marketings of farm chicken will increase seasonally. This prospect indicates that poultry prices are not likely to rise significantly from present levels. Accordingly, 1950 poultry meat prices may average under 1949.

The declines expected in output of chicken and turkey in 1950 from the high 1949 levels are likely to be more moderate than would be expected on the basis of price outlook alone. The record large feed supplies for the year 1949-50, plus the availability of family labor on farms and the desire to maintain farm income, may partly offset price prospects in determining the volume of 1950 poultry output. Supplies of eggs will be large enough to maintain the recent high levels of civilian consumption. Some Government purchases are likely. Chicken supplies per capita in 1950 will be moderately lower than in 1949. Turkey supplies available for civilian consumption will be only slightly lower than in 1949, particularly if the January 1 storage stocks of frozen turkey are large.

FATS AND OILS

Output of fats and oils from domestic materials in the year beginning October 1949 probably will reach a new peak of more than 11.3 billion pounds, including the oil equivalent of exported soybeans, flaxseed, and peanuts for crushing. This would be nearly 0.3 billion pounds larger than a year earlier

Increases in output of lard and greases, reflecting an increased number of pigs saved in 1949, are likely to more than offset a moderate decline in vegetable-oil output resulting from reduced soybean and peanut crops in 1949.

Exports of fats and oils probably will be unusually large again in 1949-50, although some decline from the record total of about 2.1 billion pounds a year earlier is anticipated. Per person consumption of fats and oils in Europe is still well below prewar, despite increasing domestic production and available supplies in world surplus areas. Prices of United States fats and oils,--notably lard, edible vegetable oils, inedible tallow, greases and soybeans--are attractive for export. Fats and oils are likely to remain among the preferred agricultural commodities for which foreign-held dollars will be spent.

With domestic production remaining high and a slight decline in domestic business activity indicated, prices of fats and oils in 1949-50 probably will average lower than a year earlier. The price of lard will be under especially strong downward pressure because of a major increase in production and a very inelastic domestic demand. Prices of edible vegetable oils will be under less pressure, since output probably will be reduced and soybeans are in a favorable position for export. Fat-and-oil prices declined substantially during the first half of 1949. The index number of 26 major fats and oils (butter excluded) stood at about 150 (1935-39=100) in early October compared with 235 a year earlier and an average of 186 in the October 1948-September 1949 crop year.

The bill entitled "The Agricultural Act of 1949" provides an alternative method of computing parity prices for agricultural commodities after 1949, in addition to the present method. The high of the two parities is to be used in 1950-53 in computing price support levels for basic commodities, which include peanuts. The new method will be used for all other commodities beginning January 1, 1950 and will be used for basic commodities after 1953. The new method will give higher parities in 1950 for cottonseed, soybeans, and flaxseed but the present method will give the higher parity for peanuts.

The Bill prescribes that the 1950 crop of peanuts be supported at 90 percent of parity. Peanut growers in December 1947 approved acreage allotments and marketing quotas for the 1948, 1949 and 1950 crops. The minimum national acreage allotment for peanuts picked and threshed in 1950 was established at 2.1 million acres by Public Law 272, enacted in August 1949.

A support price of 60 percent of parity on April 1, 1950 has been announced for the 1950 crop of flaxseed. The Secretary of Agriculture is authorized, to support the price of soybeans and cottonseed produced in 1950 at any level not above 90 percent of parity at the beginning of the marketing year. Price supports for the 1949 flaxseed, cottonseed and peanut crops are based on 90 percent of parity at the beginning of the respective marketing years, and the 1949 soybean support price is based on 90 percent of the comparable price.

CORN AND OTHER FEEDS

Feed prices are expected to average a little lower in the 1949-50 feeding season than in 1948-49, chiefly as a result of another record supply of feed grains and lower loan rates on the 1949 crops. The recently announced loan on 1949 corn will average $1.40 per bushel, 4 cents lower than in 1948. The loans of other feed grains announced earlier this year also are lower than in 1948 --barley 6 cents per bushel lower, grain sorghums 22 cents per 100 pounds, and oats, 1 cent per bushel. In recent months prices of feed grains have been well below the Government loan rates and are expected to continue below the loans during much of the 1949-50 season. Prices of the lower protein byproduct feeds are expected to continue comparatively low in 1949-50, as these are influenced to a considerable extent by prices of feed grains. Prices of high-protein feeds also may average a little lower than in 1948-49, but they probably will continue high in relation to prices of most other feeds during much of 1949-50.

Near record production of corn and large crops of oats and sorghum grains this year, accompanied by record carry-over stocks of old grain, will provide farmers with more than ample supplies of feed grains for the coming year. The total supply of all feed concentrates, including feed grains, byproduct feeds, and an allowance for wheat and rye feeding, is estimated at about 181 million tons, the largest on record, 7 percent larger than the big supply in 1948-49, and one-third larger than the 1937-41 average. The supply also exceeds that of any other year in relation to the prospective number of livestock to be fed. A continuation of fairly liberal feeding of the increasing livestock population is in prospect, although livestock-feed price ratios may not be quite so favorable as during the 1948-49 season.

The corn supply for 1949-50 is especially large, exceeding last year's record supply by 13 percent. Supplies of other feed grains are generally above average, although supplies of oats and barley are a little smaller than in 1948-49. Even with some further increase in the quantity of feed consumed in 1949 because of an increasing livestock population, the carry-over of feed grains into 1950-51 may be around one-fourth larger than the record carry-over of about 30 million tons into 1949-50. A corn carry-over of over a billion bushels is in prospect for October 1, 1950, a considerable part of which probably will be under loan or in Government ownership.

The large stocks of feed grains that will be carried over into 1950-51 give farmers more assurance than usual of at least average feed grain supplies for the next feeding season. The big carry-over in prospect would provide an average feed supply for 1950-51, even if the growing season next year should be as unfavorable as any experienced in the past 10 years. The large stocks of feed grains held under the Government program, together with price supports, will have a stabilizing influence on feed prices, at least through 1950. Corn acreage allotments are in prospect for 1950 for the first time since before the war, which could result in a sizeable reduction in corn acreage in the commercial area.

Another large supply of byproduct feeds is in prospect for 1949-50, although it is expected to be slightly smaller than the big supply in 1948-49. The high-protein feed supply is expected to be about 4 percent less per animal unit. With large supplies of most other feeds, wheat and rye feeding probably will continue to be comparatively small.

The total hay supply for 1949-50 is again large in relation to the reduced number of hay-consuming livestock on farms, although a little smaller than in any of the past few years. The hay supply situation varies widely by regions. Supplies are ample in most areas of the country, but in the North Atlantic States and in other scattered areas, largely in the northern half of the country, unfavorable weather this summer has resulted in a shortage of hay and other forage crops.

WHEAT

The 1950-51 outlook for wheat is characterized by a slight decline in wheat prices, acreage allotments for the first time since 1943, and relatively favorable export demand. Even though a 10-million acre reduction is possible in seedings for the 1950 crop, another billion-bushel crop is probable next year if weather conditions are normal. Exports may total 400 million bushels compared with a record of 500 million in 1948-49 and a 35-year average of about 170 million bushels. Domestic use will remain near 700 million bushels at prices perhaps 10 percent lower than those of 1949-50.

The national acreage allotment of 68.9 million acres for the 1950 crop, announced on July 14, will be increased as a result of the enactment of Public Law 272, signed August 29, which provides that farm allotments be not less than the larger of one-half of the 1949 or 1948 wheat acreage plus fallow which was seeded to wheat in the preceding year, adjusted on the basis of the national reduction in acreage. While applicable to all farms in the U. S., the chief effect of this legislation will be to increase allotments in the summer fallow areas. The total effect of this change in allotment procedure will not be known until after individual farms are checked.

If a seeded acreage of about 73 million acres is assumed for the 1950 crop (which makes moderate allowances for increased allotments and overplanting), and average yields are obtained, a crop of about 1,100 million bushels would be produced. This would allow 700 million bushels for domestic uses and 400 million bushels for export and carry-over. If exports total 400 million in 1950-51, the carry-over July 1, 1951 would not be larger than the 300 million bushels estimated for July 1, 1950, and 293 million bushels July 1, 1949. Under these conditions, prices would be expected to average about the support level. Under the Bill entitled "The Agricultural Act of 1949", the support level is expected to be slightly below the $1.95 for the 1949 crop, assuming a parity index somewhat lower than this year.

A 1950 seeded acreage of 73 million would be about 10 million acres less than the 83.2 million acres for the 1949 crop. Substantial changes in farming practices will be necessary in many areas to effect this reduction.

FRUIT

Consumer demand for fruit in the calendar year 1950 is expected to be nearly as strong as in 1949. With average weather the 1950 deciduous crop will be somewhat smaller than the near-record 1949 crop, and grower prices for such fruits may be a little higher than the generally low 1949 prices. But if production is large for some individual fruits, prices for these fruits may be no higher than in 1949.

With the possibility that fruit production will be smaller in 1950 and that carry-over stocks of canned fruits, especially those of packers, at the beginning of the 1950-51 pack season will be smaller than those at the start of the 1949-50 season, demand of processors for fruit for canning may be stronger in calendar 1950 than in 1949. A stronger demand would contribute to higher prices than the relatively low prices in 1949.

Commercial export demand for fruit in 1950 probably will continue at the low levels of the last two years, and may even weaken a little more as a consequence of the recent currency devaluations by numerous counties that formerly took substantial quantities of fruit from the United States. But exports of fruit to such countries may be increased through Government programs designed to move surplus fruit into foreign countries, especially ECA countries. Furthermore, ECA funds may be used in limited quantities to purchase United States fruit for export to ECA countries. The recent removal by Canada of import restrictions on all fresh fruits and all fruit juices should result in increased commercial exports to Canada. This fall and winter, there probably will be increased exports of fresh grapes, and lemons to Canada. Except for dried fruits, winter pears, apples, citrus fruits, and perhaps some canned fruits, exports have not amounted to a significant percentage of total marketings. For most fresh and processed fruits, the domestic market will continue to determine disposition and prices.

Banana imports, now at the prewar level, will continue large in 1950, providing over 20 pounds per capita. Shipments of canned pineapple and pineapple juice from Hawaii to the United States during the 1949-50 season probably will be smaller than those during 1948-49, partly because of labor-management disputes and resulting shipping difficulties.

Supplies of apples and pears from the very large 1949 crops will continue large this fall and winter and grower prices are expected to remain much lower than a year earlier. Prices that growers receive this fall for grapes and cranberries probably will continue near the levels of last fall although the 1949 crops are somewhat smaller than the very large crops in 1948. Total production of deciduous fruits in 1949 is about 17 percent larger than production in 1948 and about 11 percent above the 1938-47 average.

The 1949-50 early and mid-season orange crop, which is marketed during the fall, winter, and early spring months, is estimated to be about 7 percent larger than the reduced 1948-49 production but 6 percent smaller

than the 1947-48 crop. Although prices received by growers for early sales have been high, they are expected to drop considerably with volume shipments in November and December. However, a strong demand for processing probably will keep prices somewhat above the relatively low prices in the fall of 1948. Grower prices for the short 1949-50 grapefruit crop--about one-fourth under the 1948-49 crop and one-half of 1947-48 production--are expected to stay considerably above prices in the fall of 1948.

The 1949 pack of frozen fruits is expected to be a little larger than the 1948 pack. Mainly because of increased production of raisins, the 1949-50 pack of dried fruits will be considerably larger than the 1948-49 pack. The pack of canned fruits will be about as large in 1949-50 as in 1948-49. The total pack of canned citrus juices from the 1949-50 crop probably will somewhat under the short 1948-49 pack.

With record crops of almonds, walnuts, and filberts, and above-average production of pecans total production of tree nuts sets a new record, slightly larger than that of 1948. Grower prices for these tree nuts, are expected to average lower than 1948 prices.

COMMERCIAL TRUCK CROPS

For Fresh Market

Because of reduced production this year in the principal areas producing the crops which normally go into storage, storage supplies of cabbage, onions, and carrots, this fall, winter, and early next spring probably will be considerably smaller and prices received by farmers for these crops somewhat higher than a year earlier.

Prospective acreages of truck crops for harvest during January, February, and March are only slightly different than those harvested last winter, with increases for cauliflower and kale, but a decrease for cabbage. Prospective winter production of shallots is 20 percent smaller than the winter harvest in 1949. Acreage of onions in Texas for early spring harvest is far above the 1939-48 average acreage harvested and nearly double the 1949 acreage harvested.

Prices for truck crops in the latter half of 1950 will depend upon production, but may be somewhat lower than those received this year, assuming at least equal production.

For Processing

Consumption of canned vegetables in 1950 is expected to continue at a rate only slightly lower than in 1949, with the reduction primarily due to reduced supplies. Unless the total pack in 1950 is at least as large as in 1949 total stocks of canned vegetables in the hands of packers and wholesale distributors will be considerably lower in the fall of 1950 than they are now.

Supplies of frozen vegetables are larger than those of a year earlier, and consumption in 1950 is expected to continue at a high rate. Not much change in prices is likely.

POTATOES AND SWEETPOTATOES

Because the potato crop this year in the surplus late States was about 15 percent smaller than in 1948, prices received by farmers for potatoes in early 1950 probably will average somewhat above support levels. The support for this crop is based on 60 percent of parity in contrast to the 90 percent level which applied to the 1948 crop. However, substantial price support purchase of 1949 late crop potatoes will be necessary in some areas.

Unless growers abide by acreage allotments in 1950, production probably will far outrun demand at market prices near those received in the last few years. Price support for eligible producers of potatoes in 1950 must be set, at the discretion of the Secretary of Agriculture, at from 60 to 90 percent of parity. Among other requirements for eligibility for support, producers probably will be required, as they were required for the 1949 crop, to adhere to acreage allotments and marketing agreements where feasible.

Price-support purchases of the 1949 crop through mid-October totaled much less than for the 1948 crop during the same period. Most of those acquired have been of the less desirable grades and sizes.

Sweetpotato supplies will be slightly larger in early 1950 than in early 1949, and prices received by farmers may be only slightly lower. Prices received by growers for the 1950 crop may be slightly lower than those received for the 1949 crop, if the crop is about the same size. Total government purchases of sweetpotatoes so far this season has amounted to only 3,216 bushels.

DRY BEANS AND PEAS

The likelihood of a record or near record carry-over of dry edible beans next January 1 indicates that prices received by farmers for dry beans through the first half of 1950 generally will continue to rest heavily upon the 80 percent of parity support level now in effect. Unless acreage and production in 1950 are cut drastically, supplies probably will continue to exceed demand at current support prices throughout the 1950 crop marketing year.

Supplies of dry field peas carried over into 1950 will be much smaller than those of a year earlier, but the reduced supplies seem fully offset by the further reduction expected in export demand. Prices to growers are being supported on the 1949 crop at 60 percent of parity, considerably lower than the 90 percent level maintained for the 1948 crop.

Price support for the 1950 crops of dry beans and dry smooth peas, according to present legislation, is not mandatory. The Secretary of Agriculture may set support at any level from 0 to 90 percent of parity.

COTTON

Total disappearance of raw cotton in 1949-50 is expected to be about the same as last season, when domestic mill consumption and exports totaled 12.5 million bales. Domestic mill consumption in 1949-50 is expected to be around 8.0 million bales but this slight increase probably will be offset by a decrease in exports.

There has been general improvement in the cotton textile situation in the early months of the 1949-50 season. New orders to manufacturers of cotton textiles have been increasing in volume. Many mills already are booked well into the first quarter of 1950, while forward commitments of nearly all mills have been pushed further ahead than at any time during 1949. The upturn in orders to manufacturers, largely reflects the replenishment of inventories by wholesale and retail outlets. Inventories were substantially reduced during the 1948-49 season. Price increases have occurred in most grey cloth constructions during August and September. The average price of 17 selected constructions advanced moderately in August and September after declining for 19 consecutive months. Mill consumption of cotton in August was 664,000 bales, 46 percent above July (normal is 7 percent) and higher than for any month since March. Consumption in September was 710,000 bales, the highest, on a daily rate basis, since last October.

However, the recent devaluation of currencies may have some adverse affect on domestic mill consumption. With devaluation, U. S. cotton textiles lost a large part of the price advantage they had over competing textiles in the postwar international cotton textile market. Exports of U. S. cotton goods which, in the first half of 1949 were equivalent to about 12 percent of total cotton cloth production may tend to decrease from the current annual rate of slightly over one billion square yards. There may be some increase in U. S. imports of cotton textiles as a result of devaluation and lower tariffs.

United States exports of raw cotton in 1949-50 probably will be as dependent on ECA funds as in 1948-49 when over 60 percent of the total exports of 4,743,000 bales were financed by this means. The ECA cotton program for 1950 fiscal year has not been revised since the ECA appropriation was passed by Congress with a 14 percent reduction from last year's level. However, foreign cotton production is expected to be .7 million bales or 5 percent larger than last season. Mill consumption in China, India, Italy, and Spain is expected to decrease from 1948-49 by over one million bales and to be only partly offset by increases in other foreign countries. Foreign rayon production is expected to increase by about 12 percent. As a result of these factors U. S. exports of raw cotton may not exceed about 4 1/2 million bales in 1949-50.

The 1949 cotton crop as of October 1, was estimated at 15,176,000 running bales. With the August 1 carry-over of 5,287,000 bales and imports of 200,000 bales the domestic supply of cotton for the 1949-50 season, is estimated at about 20.7 million bales. If domestic consumption and exports are about as expected, the stocks at the end of the season would be around 8.2 million bales.

In accordance with the provisions of the Agricultural Act of 1938, as amended by Public Law 272. 81st Congress, marketing quotas for the 1950 cotton crop were proclaimed by the Secretary of Agriculture on October 13, 1949. The proclamation calls for a national quota of 11,733,750 bales, 500 pound gross weight which will provide a national acreage allotment of 21 million acres. The referendum will be held on December 15, 1949

CCC stocks of cotton from the 1948 crop were 3.8 million bales at the beginning of the current season. Entries into the 1949 loan stocks have been substantially below last season's rate, and on September 29 were reported at only 69,100 bales as compared with 536,700 bales on September 30, last year. Even so, it is likely that as much as 6.0 million bales or more, including those from the 1948 crop, will be under CCC loan at the end of the season.

Spot prices of cotton have declined gradually since the beginning of the season on August 1. Middling 15/16 inch cotton in the ten spot markets on October 10 averaged 29.59 cents per pound, almost 2 cents below the price on August 1. Between September 29 and October 10, spot prices for Middling 15/16 inch ranged from .11 cent above to .05 cent below the ten spot market equivalent loan rate of 29.57 cents per pound.

WOOL

Mill consumption of wool in 1950 is expected to be somewhat higher than in 1949. partly because of somewhat lower prices due to devaluation. Mill consumption in 1949 is estimated at around 315 million pounds, scoured basis, about one-third below 1948, one-half of the record year of 1946, but 15 percent above the 1935-39 average. Consumption during the first half of 1949 was over 40 percent below the corresponding period in 1948, but current mill activity is substantially above the first half-year levels.

The current increase in mill activity, however, probably reflects inventory adjustments in channels of distribution rather than any actual rise in consumer demand. There has been strong consumer resistance to the high prices of wool products in 1949. This resistance has been accentuated by price declines in many other commodities which gave rise to the expectation of generally lower prices for wool products. During this period of consumer hesitancy, inventories were cut in channels of distribution to the lowest levels in a year.

With only a moderate increase indicated in wool consumption and with somewhat lower prices for foreign wools in prospect market prices for most domestic wools may approximate or even fall below the Commodity Credit Corporation purchase prices. Prices of fine grades are expected to decline more than prices of medium grades.

U. S. wool production has been decreasing sharply since 1942 when the production of 455 million pounds, was a record. Total production of wool in 1949 is estimated at about 260 million pounds. Of this quantity,

about 215 million pounds will be shorn-the smallest clip since 1880. Domestic production of wool in 1950 is expected to be slightly lower than in 1949 although the relatively small slaughter of sheep and lambs in 1949 indicates that breeding flocks may not decline further. Stocks of apparel wool held by dealers, mills and the U. S. Government on April 1, 1949, totaled 348 million pounds, just slightly over half the stocks a year earlier. Despite the reduced mill consumption in 1949, it has outstripped the imports plus domestic production and stocks have continued to decline during the year.

Imports of foreign wools into the United States were 69 million pounds, clean basis, in the first seven months of 1949, 60 percent below the corresponding period in 1948 and the lowest for this period since the beginning of the war. Since stocks in 1949 have dropped to the lowest levels since before the war, imports of wool in 1950 probably will increase sharply, particularly if foreign prices are moderately lower than those prevailing before devaluation.

TOBACCO

Demand for United States cigarette tobacco is expected to continue fairly strong in 1950, and leaf prices for the cigarette types may be about as high as those received in the last year or two. Cigarette production in 1950 is expected to be near the the record 1949 output, which is estimated at 392 billion. The 1948 output was 387 billion. The use of cigarettes in the United States in the year ahead is likely to continue high; but cigarette exports, which account for around 7 percent of total output, may be lower than in recent years. Price supports for the 1950 crop of tobacco, under the alternate method provided in the Bill entitled "The Agricultural Act of 1949" are likely to be slightly higher for the major types, and substantially higher for several cigar types and Maryland tobacco.

Around 85 percent of the 1949 flue-cured crop has been marketed and prices have averaged approximately 47 cents compared with the record season average of 49.6 cents in 1948. The domestic use of flue-cured in 1948-49 was the highest on record and exports increased about 8 percent over the preceding year. The total supply of flue-cured for 1949-50 is slightly above that of last year. Burley auctions usually begin around December. The domestic use of Burley in the year ending September 30, 1949, slightly exceeded the previous high reached in 1947-48. Exports of Burley were up sharply from 1947-48 but account for a much smaller proportion of total disappearance than in the case of flue-cured. Total supplies of Burley are higher than ever before. The extremely large supply of Burley will exert downward pressure on prices in the coming marketing season and some reduction in Burley production is expected in 1950. The price support for Burley is 5 percent lower than a year ago. The supply of Maryland tobacco for 1950 is expected to be a little larger because of the increase in the 1949 production. Maryland auctions begin in the spring and prices may not come up to the 54-cent average of last season. The support price for the 1949 Maryland crop is 5 percent less than for the 1948 crop.

The manufacture of smoking tobacco in 1950 is expected to be at least as large and perhaps increase a little over that of 1949. The consumption of chewing tobacco has continued to decline during 1949 and some further drop may occur in 1950. Snuff consumption is expected to be nearly the same in 1949 as in 1948. Snuff has long been a relatively stable tobacco product and no significant change in snuff use in 1950 is expected.

Fire-cured and dark air-cured tobacco find their principal outlets in the above tobacco products and Burley is also used in smoking and chewing tobacco. Supplies of fire-cured and dark air-cured tobacco, although a little less than a year ago, are large in relation to anticipated requirements. When these types go to market in late 1949 and early 1950, prices are likely to be close to the support level. The 1949 price supports for these types are linked to the Burley loan rate and are, therefore, also 5 percent below the levels of last season. Exports of total dark tobacco were up sharply in the past year but the fire-cured types are still far below prewar.

Cigar consumption in 1950 may ease a little further but no considerable change from the 1949 level is expected. This year's consumption is estimated at 5.6 billion compared with 5.8 billion of last year. The trend toward lower-priced cigars is continuing. The 1949-50 supply of cigar filler tobacco slightly exceeds that of a year ago, but binder supplies are lower. Wrapper supplies are at a record high. Most cigar types sold at lower prices during the 1948-49 marketing season than a year earlier. United States cigar tobacco exports in 1948-49 were the largest on record but are likely to decline somewhat in 1949-50.

United States exports of all unmanufactured tobacco combined during 1949 are now estimated at around 465 million pounds (declared weight) -- 9 percent larger than in 1948. The 1950 level is subject to considerable uncertainty, but it seems likely that at least 450 million pounds may be exported. ECA-financing has been one important factor since cooperating western European countries have traditionally been the outlet for three-fourths of our total tobacco exports.

FOREST PRODUCTS

Demand and prices for forest products in 1950 are expected to remain fairly close to 1949 levels. During the past year both demand and wholesale prices of timber products declined substantially below recent peaks, but no additional large declines are imminent. Consumer demand for lumber, the most important forest product, may be about the same or slightly lower in 1950. Construction activity will tend to hold up demand, but lumber requirements for factory products and shipping purposes may be slightly below 1949 levels. As lumber markets become more stabilized dealers may increase purchases for inventories, thereby tending to offset mild declines in consumer demand.

Domestic production of lumber in 1949 is currently estimated at approximately 31 billion board feet, or about 13 percent below production in 1947 and 1948. Despite the decline, saw timber drain on U. S. forests is still about 1 1/2 times saw timber growth. Estimated exports of about

0.6 billion feet and imports of 0.8 billion feet are likewise appreciably below 1948 volumes. Despite the ECA program, no substantial increases in exports are expected in the immediate future.

Wholesale lumber prices in the past year also have dropped substantially below the extremely high postwar peak. In August 1949, for example, the BLS index of wholesale lumber prices was 13 percent below the index for August 1948, but was still about 3 times the 1937-38 prewar average. Lumber prices still show much greater relative increases than the prices of all building materials and all commodities. The decline in lumber prices has been greater for the lower grades and for poorly manufactured lumber, as well as being more marked in the wholesale than in the retail field. Partly because of continued uncertainties as to prices and market conditions, both producers and dealers have hesitated to add to lumber inventories which still remain substantially below prewar levels. In addition production has been adversely affected by shortages of readily available high-quality timber. It is estimated that in 1949, lumber stocks at mills and dealers will show an increase of 8 percent or somewhat less than a billion board feet.

Although unfilled orders have built up in recent weeks, the downward trend in demand and prices for lumber has adversely affected small marginal operations, many of which have curtailed or ceased production. Poorer markets for lumber have in turn led to some decline in stumpage prices and a drop in demand for standing timber, particularly for low-quality stands. Although stumpage prices have been gradually rising for many years as a result of growing shortages of saw timber, some further short-run reduction of stumpage prices is possible.

As in the case of lumber and standing timber, markets for pulpwood, veneer logs, and various minor forest products also declined in 1949. No further substantial drop in demand for these products is expected in 1950, however, and in the case of pulpwood some increase in purchases may be expected in certain regions as pulp mills work off large pulpwood inventories.

Demand for naval stores in 1950 is expected to be somewhat lower than in 1949. Both production and consumption of rosin and turpentine during the current year have been less than in 1948, with practically all the decline in wood naval stores. During the past 3 years consumption of rosin has eased off somewhat, whereas consumption of turpentine has increased slightly. In this same period, during which price supports on gum naval stores have been in effect, production has exceeded consumption and stocks of both turpentine and rosin have steadily increased. In October 1949, CCC loan stocks totaled about 1/3 as much as 1948 production of gum turpentine, and 2/3 of gum rosin production in that year. Both prices and consumption of naval stores in 1950 will depend to a considerable extend upon the loan policies of the Commodity Credit Corporation. If the price support levels of 1949 were maintained, some further decline in consumption and increases in stocks are to be anticipated.

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